

2009

Town of Ogunquit Maine Financial Audit Report June 30, 2009

Ogunquit, Me.

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TOWN OF OGUNQUIT

OGUNQUIT, MAINE

FINANCIAL AUDIT REPORT

SIX MONTH PERIOD ENDED JUNE 30, 2009

**TOWN OF OGUNQUIT
OGUNQUIT, MAINE
SIX MONTH PERIOD ENDED JUNE 30, 2009**

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A Professional Association

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REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Town Manager and Board of Selectmen
TOWN OF OGUNQUIT
Ogunquit, Maine

We have audited the accompanying basic financial statements of the governmental activities, business-type activities, major funds, and remaining fund information, which collectively comprise the basic financial statements, of the Town of Ogunquit, Maine as of and for the six-month period ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Town's Management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

A substantial portion of the revenues from parking fees consisted of cash collections. It was not practical to satisfy ourselves with respect to such revenues beyond the amounts recorded as received.

In our opinion, except for the effect on the financial statements of the omission described in the preceding paragraph and based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, major funds, and remaining fund information of the Town of Ogunquit and the changes in financial position and cash flows, where applicable, of those activities and funds and the budgetary comparison for the general fund for the six-month period then ended in conformity with accounting principles generally accepted in the United States of America.

The Town of Ogunquit, Maine has not presented Management Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Smith & Associates

SMITH & ASSOCIATES, CPAs
A Professional Association

Yarmouth, Maine
July 22, 2009

EXHIBIT I

**TOWN OF OGUNQUIT
STATEMENT OF NET ASSETS
JUNE 30, 2009**

	<u>Primary Government</u>		
	<u>Business -</u>		
	<u>Governmental</u>	<u>Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Assets			
Cash	\$ 3,058,794	\$ 30,751	\$ 3,089,545
Accounts Receivable	60,480	0	60,480
Taxes Receivable	701,483	0	701,483
Liens Receivable	28,139	0	28,139
Capital Assets, Net of Accumulated Depreciation	<u>10,543,054</u>	<u>0</u>	<u>10,543,054</u>
Total Assets	<u>\$ 14,391,950</u>	<u>\$ 30,751</u>	<u>\$ 14,422,701</u>
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Accrued Expenses	245,955	0	245,955
Non Current Liabilities:			
Due Within One Year	337,535	0	337,535
Due in More Than One Year	<u>5,388,169</u>	<u>0</u>	<u>5,388,169</u>
Total Liabilities	<u>\$ 5,971,659</u>	<u>\$ 0</u>	<u>\$ 5,971,659</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 4,817,350	\$ 0	\$ 4,817,350
Restricted For:			
Permanent Funds, Nonexpendable	456,559	0	456,559
Unemployment	0	30,751	30,751
Special Revenue	881,021	0	881,021
Capital Projects	94,551	0	94,551
Unrestricted In:			
Permanent Funds, Expendable	60,889	0	60,889
General Fund	<u>2,109,921</u>	<u>0</u>	<u>2,109,921</u>
Total Net Assets	<u>\$ 8,420,291</u>	<u>\$ 30,751</u>	<u>\$ 8,451,042</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

EXHIBIT II

**TOWN OF OGUNQUIT
STATEMENT OF ACTIVITIES
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2009**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue & Changes in Net Assets		Total
		Charges for Services	Operating Grants & Contributions	Governmental Activities	Primary Government Business - Type Activities	
Primary Government						
Governmental Activities						
General Government	\$ 666,168	\$ 103,909	\$ 0	\$ (562,259)	\$ 0	\$ (562,259)
Public Works & Sanitation	926,590	73,391	200,766	(652,433)	0	(652,433)
Protection	1,208,846	193,858	210	(1,014,778)	0	(1,014,778)
Culture & Recreation	86,157	98,349	3,201	15,393	0	15,393
General Assistance	3,698	0	0	(3,698)	0	(3,698)
Health & Social Services	3,440	0	0	(3,440)	0	(3,440)
Education	2,096,571	0	0	(2,096,571)	0	(2,096,571)
Fixed Charges	3,673	0	0	(3,673)	0	(3,673)
Interest on Long-Term Debt	131,002	0	0	(131,002)	0	(131,002)
Depreciation - Unallocated	327,174	0	0	(327,174)	0	(327,174)
Total Governmental Activities	\$ 5,453,319	\$ 469,507	\$ 204,177	\$ (4,779,635)	\$ 0	\$ (4,779,635)
Business-Type Activities	5,298	0	0	0	(5,298)	(5,298)
Total Primary Government	\$ 5,458,617	\$ 469,507	\$ 204,177	\$ (4,779,635)	\$ (5,298)	\$ (4,784,933)
General Revenues						
Property Taxes				\$ 4,437,051	\$ 0	\$ 4,437,051
Grants & Contributions not Restricted to Special Programs				28,198	0	28,198
Unrestricted Investment Earnings				8,475	107	8,582
Miscellaneous				31,973	0	31,973
Total General Revenues				\$ 4,505,697	\$ 107	\$ 4,505,804
Changes in Net Assets				\$ (273,938)	\$ (5,191)	\$ (279,129)
Net Assets – January 1, 2009				8,694,229	\$ 35,942	8,730,171
Net Assets – June 30, 2009				\$ 8,420,291	\$ 30,751	\$ 8,451,042

The Notes to the Financial Statements are an integral part of this Statement.

EXHIBIT III

**TOWN OF OGUNQUIT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$ 1,670,826	\$ 1,387,968	\$ 3,058,794
Taxes Receivable	701,483	0	701,483
Tax Liens Receivable	28,139	0	28,139
Accounts & Notes Receivable	60,480	0	60,480
Due From Other Funds	<u>0</u>	<u>105.052</u>	<u>105.052</u>
Total Assets	<u>\$ 2,460.928</u>	<u>\$ 1,493.020</u>	<u>\$ 3,953.948</u>
Liabilities & Fund Balance			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Accrued Expenses	7,966	0	7,966
Deferred Revenues	563,000	0	563,000
Due to Other Funds	<u>105.052</u>	<u>0</u>	<u>105.052</u>
Total Liabilities	<u>\$ 676.018</u>	<u>\$ 0</u>	<u>\$ 676.018</u>
Fund Balance			
Reserved, Reported in:			
Permanent Funds, Nonexpendable	\$ 0	\$ 456,559	\$ 456,559
Unreserved, Reported in:			
General Fund	1,784,910	0	1,784,910
Special Revenue Funds	0	881,021	881,021
Capital Project Funds	0	94,551	94,551
Permanent Funds, Expendable	<u>0</u>	<u>60.889</u>	<u>60.889</u>
Total Fund Balance	<u>\$ 1,784,910</u>	<u>\$ 1,493.020</u>	<u>\$ 3,277.930</u>
Total Liabilities & Fund Balance	<u>\$ 2,460.928</u>	<u>\$ 1,493.020</u>	<u>\$ 3,953.948</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

EXHIBIT IV

**TOWN OF OGUNQUIT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
STATEMENT OF NET ASSETS
JUNE 30, 2009**

Total Fund Balance – Total Governmental Funds **\$3,277,930**

**Amounts Reported for Governmental Activities in the Statement of
Net Assets are Different Because:**

Capital Assets Used in Governmental Activities are Not Current Financial
Resources and Therefore are Not Reported in the Governmental Funds
Balance Sheet 10,543,054

Interest Payable on Long-Term Debt Does Not Require Current
Financial Resources. Therefore Interest Payable is Not Reported
as a Liability in Governmental Funds Balance Sheet (43,069)

Property Tax Revenues are Reported in the Governmental Funds
Balance Sheet Under NCGA Interpretation-3, Revenue Recognition-
Property Taxes 563,000

Long Term Liabilities are Not Due and Payable in the Current Period
and, Therefore, They are Not Reported in the Governmental Funds
Balance Sheet:

Long Term Liabilities			
Due in One Year	\$ 337,535		
Due in More Than One Year	<u>5,388,169</u>	\$5,725,704	
Accrued Compensated Absence Pay		<u>194,920</u>	<u>(5,920,624)</u>

Net Assets of Governmental Activities **\$8,420,291**

TOWN OF OGUNQUIT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2009

	General <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues			
Taxes	\$ 4,273,051	\$ 0	\$ 4,273,051
Intergovernmental	40,589	191,786	232,375
Licenses, Permits & Fees	142,094	0	142,094
Charges For Services	261,198	65,089	326,287
Investment Income	4,263	4,212	8,475
Miscellaneous	<u>33,018</u>	<u>81</u>	<u>33,099</u>
Total Revenues	<u>\$ 4,754,213</u>	<u>\$ 261,168</u>	<u>\$ 5,015,381</u>
Expenditures			
Current			
General Government	\$ 608,685	\$ 47,820	\$ 656,505
Public Works	829,440	118,572	948,012
Protection	1,205,640	535	1,206,175
Culture & Recreation	62,933	20,480	83,413
General Assistance	3,698	0	3,698
Debt Service	119,436	9,466	128,902
Health & Social Services	3,440	0	3,440
Education	2,096,571	0	2,096,571
Fixed Charges	3,673	0	3,673
Capital Outlay	<u>0</u>	<u>28,440</u>	<u>28,440</u>
Total Expenditures	<u>\$ 4,933,516</u>	<u>\$ 225,313</u>	<u>\$ 5,158,829</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (179,303)</u>	<u>\$ 35,855</u>	<u>\$ (143,448)</u>
Other Financing Sources (Uses)			
Transfers In (Out)	<u>\$ (5,500)</u>	<u>\$ 5,500</u>	<u>\$ 0</u>
Total Other Financing Sources (Uses)	<u>\$ (5,500)</u>	<u>\$ 5,500</u>	<u>\$ 0</u>
Net Change in Fund Balance	<u>\$ (184,803)</u>	<u>\$ 41,355</u>	<u>\$ (143,448)</u>
Fund Balance – January 1, 2009	<u>1,969,713</u>	<u>1,451,665</u>	<u>3,421,378</u>
Fund Balance – June 30, 2009	<u>\$ 1,784,910</u>	<u>\$ 1,493,020</u>	<u>\$ 3,277,930</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

**TOWN OF OGUNQUIT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2009**

Net Change in Fund Balance – Total Governmental Funds \$(143,448)

**Amounts Reported for Governmental Activities in the Statement of
Net Assets are Different Because:**

Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of Those Assets is Allocated over Their Estimated Useful Lives and Reported as Depreciation Expense. This is the Amount of Capital Assets Recorded in the Current Period. 43,504

Depreciation Expense on Capital Assets is Reported in the Government-Wide Statement of Activities and Changes in Net Assets, But They Do Not Require the Use of Current Financial Resources. Therefore, Depreciation Expense is Not Reported as Expenditure in Governmental Funds. (327,174)

The Issuance of Long-Term Debt (e.g. Bonds, Leases and Accrued Compensated Absence Pay) Provides Current Financial Resources To Governmental Funds, While the Repayment of the Principal of Long-Term Debt Consumes the Current Financial Resources of Governmental Funds. Neither Transaction, However, has Any Effect on Net Assets. Also, Governmental Funds Report the Effect of Issuance Cost, Premiums, Discounts, and Similar Items When Debt is First Issued, Whereas the Amounts are Deferred and Amortized in the Statement of Activities. This Amount is the Net Effect of These Differences in the Treatment of Long-Term Debt and Related Items. (8,720)

Some Property Tax Will Not be Collected for Several Months After the Town's Fiscal Year End; They are Not Considered "Available" Revenues in the Governmental Funds. This Amount is the Net Effect of the Differences. 164,000

Accrued Interest Expense on Long-Term Debt is Reported in the Government-Wide Statement of Activities and Changes in Net Assets, But Does Not Require the Use of Current Financial Resources; Therefore, Accrued Interest Expense is not Reported as Expenditures in Governmental Funds. (2,100)

Change in Net Assets of Governmental Activities **\$(273,938)**

EXHIBIT VII

**TOWN OF OGUNQUIT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009**

	Business-Type <u>Activities</u> Enterprise Funds <u>Unemployment</u>
Assets	
Current Assets	
Cash	\$ 30,751
Accounts Receivable	<u>0</u>
Total Assets	<u>\$ 30,751</u>
Liabilities	
Current Liabilities	
Accounts Payable	<u>\$ 0</u>
Net Assets	
Unrestricted	<u>\$ 30,751</u>
Total Net Assets	<u><u>\$ 30,751</u></u>

EXHIBIT VIII

**TOWN OF OGUNQUIT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2009**

	Business-Type <u>Activities</u> Enterprise Funds <u>Unemployment</u>
Operating Revenues	
Interest Income	\$ 107
Miscellaneous	<u>0</u>
Total Operating Revenues	<u>\$ 107</u>
Operating Expenses	
General Government	<u>\$ 5,298</u>
Changes In Net Assets	<u>\$ (5,191)</u>
Net Assets – January 1, 2009	<u>35,942</u>
Net Assets – June 30, 2009	<u><u>\$ 30,751</u></u>

The Notes to the Financial Statements are an Integral Part of This Statement.

EXHIBIT IX

**TOWN OF OGUNQUIT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2009**

	<u>Business-Type Activities Enterprise Funds Unemployment</u>
Cash Flows from Operating Activities	
Interest	\$ 107
Payments to Vendors	<u>(5,298)</u>
Net Increase (Decrease) in Cash before Transfers	\$ (5,191)
Transfers In (Out)	<u>0</u>
Net Increase (Decrease) in Cash after Transfers	\$ (5,191)
Cash – January 1, 2009	<u>35,942</u>
Cash – June 30, 2009	<u>\$ 30,751</u>
Reconciliation Of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Changes in Net Assets	<u>\$ (5,191)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	\$ 0
(Increase) Decrease in Accounts Receivable	<u>0</u>
Total Adjustments	<u>\$ 0</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (5,191)</u></u>

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. – General Statement

The Town of Ogunquit, Maine was incorporated as the Ogunquit Village Corporation in 1913 and later became the Town of Ogunquit by an act of the Legislature in 1980 under the laws of the State of Maine. The Town currently operates under a Selectmen/Town Manager Form of Government.

The accounting and reporting policies of the Town relating to the funds and account groups included in the accompanying basic financial statements conform to generally accepted accounting principles as applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the Town has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the Town are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

The financial statements include:

- A Management Discussion and Analysis (MD&A) section, which provides an analysis of the Town's overall financial position and results of operations, has not been presented as indicated in the Independent Auditors' Report.
- Financial statements prepared using full accrual accounting for all of the Town's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements including notes to financial statements.

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. – Financial Reporting Entity

The Town's combined financial statements include the accounts of all Town of Ogunquit operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The Town holds the corporate powers of the organization
- The Town appoints a voting majority of the organization's board
- The Town is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Town
- There is fiscal dependency by the organization on the Town

Based on the aforementioned criteria, the Town of Ogunquit has no component units that are not included in this report.

C. – Basic Financial Statements – Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, charges for services, etc). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (whether operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc).

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. – Basic Financial Statements – Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Town:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The Waterfront Project is considered a major fund.

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry. A permanent fund would be used, for example, to account for the perpetual care endowment of a municipal cemetery.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town of Ogunquit:

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has a third party requirement that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The Ogunquit Unemployment program operates in a manner similar to private business enterprises. The intent is that costs for these services provided to the employees on a continuing basis be recovered through fees.

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. – Basic Financial Statements – Fund Financial Statements (Continued)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

E. – Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. A one-year availability period is used for recognition of all other governmental fund revenues. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

F. – Budgetary Control

Formal budgetary accounting is employed as a management control for the general fund of the Town of Ogunquit. The Town of Ogunquit's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. – Budgetary Control (Continued)

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. During the second half of the last fiscal year the Town prepared a budget for this fiscal year beginning January 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the Town of Ogunquit was then called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the inhabitants of the Town.

The Town does not adopt budgets for the Special Revenue Funds.

G. – Cash

Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. Generally, the Town invests certain funds in checking, savings accounts or certificates of deposit.

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, and investments in money market funds.

H. – Capital Assets

Capital assets purchased or acquired with an original cost of \$10,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings & Improvements	15-40 Years
Machinery and Equipment	5-12 Years
Vehicles	5-10 Years

The Town of Ogunquit has elected not to retroactively report major general infrastructure assets.

I. - Compensated Absences

The Town of Ogunquit recognizes accumulated leave compensation during the period in which the related liability is incurred. In compliance with Town personnel policies the liability for accrued compensated absence pay was \$194,920 at June 30, 2009.

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. - Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

K. – Equity Classifications

Government-Wide Statements

Net assets represent the differences between assets and liabilities. Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

L. – Use of Estimates

Preparation of financial statements in conformity with GAAP requires the use of management’s estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2 – CASH AND CASH EQUIVALENTS

Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and certain corporate stocks and bonds. Generally, the Town invests such excess funds in checking accounts, savings accounts, certificates of deposit and U.S. government obligations (through an investment group owned by a financial institution).

A. Deposits

The Town's deposits are categorized as follows to give an indication of the level of risk assumed by the Town at year end: Category 1 includes deposits covered by federal depository insurance or by collateral held by the Town or by the Town's agent in the Town's name; Category 2 includes uninsured deposits covered by collateral held by the pledging financial institution's trust department or agent in the Town's name; Category 3 includes uninsured and uncollateralized deposits.

At June 30, 2009, all cash and cash equivalents consisted of Category 1 deposits.

NOTE 3 – PROPERTY TAXES

The Town is responsible for assessing, collecting and distributing property taxes in accordance with enabling state legislation. The Town of Ogunquit's property tax is levied on the assessed value listed as of the prior April 1st for all taxable real and personal property located in the Town. Assessed values are periodically established by the Assessor at 100% of assumed market value. The assessed value for the list of April 1, 2008, upon which the levy for the six month period ended June 30, 2009, was based, amounted to \$1,267,404,710. The assessed value was 102.1% of the 2008 State valuation of \$1,241,450,000.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay and amounted to \$144,638 for the six month period ended June 30, 2009.

All property taxes are recognized in compliance with NCGA Interpretation – 3, *Revenue Recognition – Property Taxes* which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due and receivable within the current period and collected no longer than 60 days after the close of the current period.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid. The following summarizes the 2009 levy:

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3 – PROPERTY TAXES (CONTINUED)

Assessed Value	\$ 1,267,404,710
Less: Homestead Exemption	<u>0</u>
Net Assessed Value	\$ 1,267,404,710
Tax Rate (Per \$1,000)	<u>3.37</u>
Commitment	\$ 4,271,154
Supplemental Taxes Assessed	<u>0</u>
Sub-Total	\$ 4,271,154
Less: Abatements	(1,444)
Collections	<u>(3,795,666)</u>
Receivable at Year End	<u>\$ 474,044</u>
Collection Rate	<u>88.9%</u>

Property taxes on real and personal property accounts were due on April 29, 2009. Interest was charged at a rate of 9% on delinquent accounts after that date.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the six-month period ended June 30, 2009, was as follows:

	Beginning Balance <u>1/1/09</u>	Additions/ Completions	Retirement/ Adjustments	Ending Balance <u>06/30/09</u>
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 4,667,460	\$ 0	\$ 0	\$ 4,667,460
Work in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets not being Depreciated	<u>\$ 4,667,460</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,667,460</u>
Capital Assets, being Depreciated				
Buildings & Improvements	\$ 4,333,322	\$ 0	\$ 0	\$ 4,333,322
Machinery & Equipment	524,889	0	0	524,889
Vehicles	2,184,640	28,725	0	2,213,365
Infrastructure	<u>2,343,840</u>	<u>14,779</u>	<u>0</u>	<u>2,358,619</u>
Total Capital Assets being Depreciated	<u>\$ 9,386,691</u>	<u>\$ 43,504</u>	<u>\$ 0</u>	<u>\$ 9,430,195</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	\$ 1,851,110	\$ 72,872	\$ 0	\$ 1,923,982
Machinery & Equipment	320,033	17,320	0	337,353
Vehicles	975,868	52,701	0	1,028,569
Infrastructure	<u>80,416</u>	<u>184,281</u>	<u>0</u>	<u>264,697</u>
Total Accumulated Depreciation	<u>\$ 3,227,427</u>	<u>\$ 327,174</u>	<u>\$ 0</u>	<u>\$ 3,554,601</u>
Total Capital Assets being Depreciated, Net	<u>\$ 6,159,264</u>	<u>\$ (283,670)</u>	<u>\$ 0</u>	<u>\$ 5,875,594</u>
Governmental Activities Capital Assets, Net	<u>\$10,826,724</u>	<u>\$ (283,670)</u>	<u>\$ 0</u>	<u>\$ 10,543,054</u>

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5 – LONG-TERM DEBT

At June 30, 2009, bonds payable consisted of the following individual issues:

	<u>Governmental Activities</u>
Maine Municipal Bond Bank	
Marine Bulkheads Capital Improvement Bond of 2004, Interest Rates 1.946% to 9.0%, Annual Principal Payments of \$16,500 Plus Interest Through 2024	\$ 264,000
General Obligation Bond of 2004, Interest Rate 1.597% to 9.0%, Annual Principal Payments of \$24,750 Plus Interest Through 2024	396,000
General Obligation Bond of 2005, Interest Rate 3.05% to 9.0%, Annual Principal Payments of \$20,000 Plus Interest Through 2025	340,000
General Obligation Bond of 2006, Interest Rate 3% to 6%, Annual Principal Payments of \$120,000 Plus Interest Through 2026	2,160,000
General Obligation Bond of 2008, Interest Rate 3.94%, Annual Principal Payments of \$89,295 - \$145,285 Plus Interest Through 2028	2,345,704
Transfer Station Mortgage	
Transfer Station Mortgage Payable, Interest Rate of 3%, Annual Payment of Principal and Interest Ranging From \$19,250 to \$11,330 Through 2028	<u>220,000</u>
Total Bonds Payable	<u>\$ 5,725,704</u>

Changes in Outstanding Debt

Transactions for the six month period ended June 30, 2009, are summarized as follows:

	<u>Balance January 1</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance June 30th</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds	\$ 5,505,704	\$ 0	\$ 0	\$ 5,505,704	\$326,535
Mortgage Payable	220,000	0	0	220,000	11,000
Compensated Absences	<u>186,200</u>	<u>8,720</u>	<u>0</u>	<u>194,920</u>	<u>0</u>
Total Governmental Activities	<u>\$ 5,911,904</u>	<u>\$ 8,720</u>	<u>\$ 0</u>	<u>\$ 5,920,624</u>	<u>\$337,535</u>

**TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 5 – LONG-TERM DEBT (CONTINUED)

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each debt type for the fiscal years subsequent to June 30, 2009, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009/10	\$ 337,535	\$ 147,882	\$ 485,417
2010/11	337,535	222,415	559,950
2011/12	337,535	207,478	545,013
2012/13	337,535	192,871	530,406
2013/14	337,535	176,467	514,002
2014/19	1,687,675	643,699	2,331,374
2019/24	1,407,675	308,815	1,716,490
2024/29	<u>942,679</u>	<u>62,255</u>	<u>1,004,934</u>
Total	<u>\$ 5,725,704</u>	<u>\$ 1,961,882</u>	<u>\$ 7,687,586</u>

The amount of debt that can be incurred by a Town is limited by state statute. Total outstanding long-term obligations during a year can be no greater than 15% of the assessed value of taxable property as of the beginning of the fiscal year. As of June 30, 2009, the amount of outstanding long-term debt was equal to 0.45% of property valuation for the period then ended.

NOTE 6 – DEFINED PENSION PLAN

Deferred Compensation Plan

The government offers its employees two deferred compensation plans through John Hancock Insurance, created in accordance with Internal Revenue Code Section 457 and the Maine State Retirement System. The John Hancock Plan, available to all government employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Money Purchase Plan

The Town has a money purchase pension plan with John Hancock Insurance. The Plan covers all full-time employees who are at least 18 years of age and have met certain service requirements. Employees become fully vested upon entering the Plan.

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 6 – DEFINED PENSION PLAN (CONTINUED)

Under the terms of the plan, the Town contributes 8% of the participating employees' annual compensation as well as an additional 3% for department heads. There are no allocation requirements to receive any contribution made to the plan. Participants shall have a fully vested and nonforfeitable interest in Employer Contributions and their investment earnings. The Participant shall be responsible for the investment of his or her Plan account.

The Town's total covered payroll was \$1,239,896 and its total payroll was \$1,284,348 for the six-month period ended June 30, 2009.

<u>Year Ended</u>	<u>Contributions</u>
June 30, 2009 (Six Months)	\$ 61,348
December 31, 2008	\$ 112,392
December 31, 2007	\$ 100,132

Maine State Retirement System

Certain employees of the Town participate in the Maine State Retirement System. Employees participating in the Maine State Retirement System are eligible for normal retirement upon attaining the age of sixty and early retirement after completing twenty to twenty-five or more years of creditable service depending upon plan documents.

Under the plan, participants contribute 6.5% of compensation. Total pension expense for the Town for the year was \$38,213. The total payroll for the Town was \$1,284,348 and covered payroll for the Town was approximately \$638,381 for the six month period ended June 30, 2009.

Information concerning the consolidated pension plan is available from the System. The percentages and contributions to the plan for past years are as follows:

<u>Year Ended</u>	<u>% Contributed</u>	<u>Contributions</u>
June 30, 2009 (Six Months)	2.8% - 6.5%	\$ 38,213
December 31, 2008	2.8% - 6.5%	\$ 65,990
December 31, 2007	2.8% - 6.5%	\$ 100,233

A. Plan Description

Town employees contribute to the Maine State Retirement System ("System"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for public school teachers, state employees (except as members of the judiciary and legislature who are covered under the Judicial and Legislative Retirement Systems) and political subdivisions.

Several Town employees participate in the System. Benefits vest after ten years of service. Participants who retire at or after age 60 with 20 - 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2% of the average of their highest three year earnings per year of service.

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 6 – DEFINED PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

The System also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute.

Employees are required to contribute 6.5% of their annual salary to the System. The Town contributes the remaining amounts necessary to fund the System, using the actuarial basis specified by statute.

B. Funding Status and Progress

Information concerning the pension benefit obligation for Town employees is available from the System.

C. Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Trend information is not currently available from the System.

NOTE 7 – INTERFUND ACTIVITY

Interfund balances at June 30, 2009, consisted of the following:

Due To

Non-Major Governmental Funds:

Special Revenue Funds	\$ 89,081
Capital Project Funds	<u>15,971</u>

Total	<u><u>\$105,052</u></u>
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Due From

General Fund	<u><u>\$105,052</u></u>
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These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the six month period ended June 30, 2009, consisted of the following:

Transfer To

Non-Major Governmental Funds:

Capital Project Funds	<u><u>\$ 5,500</u></u>
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Transfer From

General Fund	<u><u>\$ 5,500</u></u>
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TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 7 – INTERFUND ACTIVITY (CONTINUED)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 8 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

There have been no significant reductions in insurance coverages during the fiscal year and no significant settlements that exceeded insurance coverage.

NOTE 9 – APPROPRIATIONS AND TRANSFERS

At the Special Town Meeting on November 4, 2008, the Townspeople voted appropriations of general fund balance totaling \$380,000, which are reflected as the excess of budgeted expenditures over budgeted revenues on Exhibit X for a special six month period ended June 30, 2009.

NOTE 10 – JOINT VENTURE

In 1985, the Town entered into a joint venture known as Ecomaine. Ecomaine provides solid waste disposal services to the twenty-one participating communities. The governing bodies of the participating communities appoint the Board of Directors who establishes the budget and charges the communities and commercial enterprises that use the facility. The annual assessment to the Town for the period July 1, 2008, to June 30, 2009, (the Ecomaine fiscal year) is \$55,139. In addition to the annual assessment, tipping fees are being charged at a rate of \$88 per ton of waste. Total charges to the Town for the six-month period ended June 30, 2009, were \$10,061.

Ecomaine has issued bonds to fund the design, construction and start-up of a resource recovery system. The bonds are special revenue obligations of Ecomaine revenues. The bonds do not constitute a debt or liability within the meaning of any constitutional or statutory provision of the State of Maine, or a pledge of the full faith and credit of any political subdivision of the State of Maine. Ecomaine has no taxing power. However, pursuant to the Waste Handling Agreements, the participating municipalities are obligated severally to deliver certain solid waste produced within each such participating municipality to Ecomaine for processing and to make service payments and pay tipping fees for such processing in amounts which, when added to other available monies, will at least equal required debt service of the bonds.

The obligations of the participating municipalities under the Waste Handling Agreements are secured by the full faith and credit of the participating municipalities subject to certain limitations. At June 30, 2009, outstanding bonds of Ecomaine totaled \$18,759,000 of which the Ogunquit share, based on tonnage delivered in the past nineteen years, amounted to \$567,795.

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 10 – JOINT VENTURE (CONTINUED)

Additionally, the Town of Ogunquit and twenty-six other municipalities have entered into an agreement with Ecomaine for a material recycling facility. At June 30, 2009, outstanding material recycling facility bonds of Ecomaine totaled \$2,881,000 of which Ogunquit's share, based on estimated tonnage to be delivered, amounts to \$21,608.

The Ecomaine landfill is in the process of being closed. The landfill is at 100% capacity to date. Therefore, the estimated remaining landfill life is zero years. The landfill closure and post closure costs have been estimated per Ecomaine's June 30, 2008, (the date of the most recent information available) audit at \$14,645,291 of which the Ogunquit share, based on tonnage delivered in the past seventeen years, amounts to \$453,226.

NOTE 11 - OVERLAPPING DEBT

The Town's proportionate share of Community School District No. 18's debt is not recorded in the financial statements of the Town of Ogunquit. At June 30, 2009, the Town's share was 21.4% (or \$2,861,712) of the District's outstanding debt of \$13,360,000.

The Town's proportionate share of York County's debt is not recorded in the financial statements of the Town of Ogunquit. At June 30, 2009, the Town's share was 4.18% (\$638,423) of the County's outstanding debt of \$15,281,147.

NOTE 12 - CONTINGENT LIABILITIES

There are various claims pending against the Town of Ogunquit which arise in the normal course of the Town's activities. Several cases are currently pending which in the aggregate may or may not have a material effect on the financial position of the Town. In the opinion of the Town Counsel, it is extremely difficult to assess the extent or probability of the Town's liability at the present time.

The Town participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not expected to be material.

NOTE 13 – TAX ANTICIPATION NOTE

On March 27, 2009 the Town of Ogunquit executed a Tax Anticipation Note in the amount of \$1,197,834, at a 1.64% interest rate with TD Banknorth. The note was not utilized.

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 14 – FUND BALANCE – OTHER GOVERNMENTAL FUNDS

Fund balance per Exhibit III at year end consisted of amounts which the Town of Ogunquit intends to use for the following purposes:

Designated fund balance of the following funds consists of these balances:

Special Revenue Funds

FEMA Storms	\$ 273,436
Land Conversation Reserve	142,195
Perpetual Bench Care Fund	122,405
Deborah White Marginal Way	86,080
National Disaster Emergency Repair	74,353
Marginal Way Investment	55,007
Marginal Way- Deborah White	35,207
Computer Software	28,168
Contracts And Adjustments	15,971
Contingent Fund	14,027
T-2000 Fund	6,495
25th Anniversary Celebration	4,690
Dunelawn Mitigation	4,013
Ambulance Fund	3,276
Planning Board Project Escrow	2,665
Parking Study Implementation	2,229
Village Beautification	2,138
Community Cupboard	1,770
Jay Parott Scholarships	1,199
Firefighter Training Facilities Grant	1,186
Directional & Trolley Sign	1,059
Police Drug & Interdiction	791
Bike Rack	779
Open Heart Fund	756
Main Beach Landscaping	459
Perkins Cove Sign Fund	384
Summer Programs	250
Waterfront Fire Truck Reserve	18
Shore /Harbor Planning Grant	<u>15</u>

Total \$ 881,021

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 14 – FUND BALANCE – OTHER GOVERNMENTAL FUNDS (CONTINUED)

Capital Project Funds

Grasshopper Lane Drawbridge	\$ 27,186
Beachmere Street Lights	15,000
Dorothea Jacobs Grant Common	14,586
Oarweed Cove Road	13,479
Dorothea Jacobs Grant Lighting	9,628
Transfer Station Bond	5,470
Parks Committee	5,000
Painting/Cove Drawbridge	2,480
Building Needs	<u>1,722</u>

Total	<u>\$ 94,551</u>
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Permanent Funds	Nonexpendable <u>Amount</u>	Expendable <u>Amount</u>	<u>Total</u>
Music Center Escrow	\$ 92,000	\$ 10,488	\$ 102,488
Dorothea Jacobs Grant Fund	219,259	48,432	267,691
Performing Arts	<u>145,300</u>	<u>1,969</u>	<u>147,269</u>
Total	<u>\$ 456,559</u>	<u>\$ 60,889</u>	<u>\$ 517,448</u>

**TOWN OF OGUNQUIT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
Revenues				
Taxes	\$ 4,438,654	\$ 4,438,654	\$ 4,273,051	\$ (165,603)
Intergovernmental	10,550	10,550	40,589	30,039
Licenses, Permits & Fees	124,322	124,322	142,094	17,772
Charges for Services	300,925	300,925	261,198	(39,727)
Investment Income	16,500	16,500	4,263	(12,237)
Other	<u>38,020</u>	<u>38,020</u>	<u>33,018</u>	<u>(5,002)</u>
Total Revenues	<u>\$ 4,928,971</u>	<u>\$ 4,928,971</u>	<u>\$ 4,754,213</u>	<u>\$ (174,758)</u>
Expenditures				
Current				
General Government	\$ 679,573	\$ 679,573	\$ 608,685	\$ 70,888
Public Works	909,889	909,889	829,440	80,449
Protection	1,253,328	1,253,328	1,205,640	47,688
Culture & Recreation	65,986	65,986	62,933	3,053
General Assistant	18,550	18,550	3,698	14,852
Debt Service	131,436	131,436	119,436	12,000
Health & Social Services	3,500	3,500	3,440	60
Education	2,096,571	2,096,571	2,096,571	0
Fixed Charges	<u>144,638</u>	<u>144,638</u>	<u>3,673</u>	<u>140,965</u>
Total Expenditures	<u>\$ 5,303,471</u>	<u>\$ 5,303,471</u>	<u>\$ 4,933,516</u>	<u>\$ 369,955</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>\$ (374,500)</u>	<u>\$ (374,500)</u>	<u>\$ (179,303)</u>	<u>\$ 195,197</u>
Other Financing Sources (Uses)				
Transfers In (Out)	<u>(5,500)</u>	<u>(5,500)</u>	<u>(5,500)</u>	<u>0</u>
Net Change in Fund Balance	<u>\$ (380,000)</u>	<u>\$ (380,000)</u>	<u>\$ (184,803)</u>	<u>\$ 195,197</u>
Fund Balance – January 1, 2009	<u>1,969,713</u>	<u>1,969,713</u>	<u>1,969,713</u>	<u>0</u>
Fund Balance – June 30, 2009	<u>\$ 1,589,713</u>	<u>\$ 1,589,713</u>	<u>\$ 1,784,910</u>	<u>\$ 195,197</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

Smith & Associates, CPAs

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Board of Selectmen and Manager
TOWN OF OGUNQUIT
Ogunquit, Maine

In planning and performing our audit of the financial statements of Town of Ogunquit as of and for the six-month period ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we are required to consider the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This communication is intended solely for the information and use of the Board of Selectmen, Manager and others within the Town, and is not intended to be and should not be used by anyone other than these specified parties.



SMITH & ASSOCIATES, CPAs
A Professional Association

Yarmouth, Maine
July 22, 2009

Smith & Associates, CPAs

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Board of Selectmen and Manager
TOWN OF OGUNQUIT
Ogunquit, Maine

We have audited the financial statements of the governmental activities, business-type activities and other governmental fund information of the Town of Ogunquit for the six-month period ended June 30, 2009, and have issued our report thereon dated July 22, 2009. Professional standards require that we provide you with the following information related to the audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 5, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with the oversight are fairly presented, in all material respects, in conformity with the U.S. generally accepted accounting principles. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the Town of Ogunquit. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. Our audit of the financial statements does not relieve you of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in writing in the engagement letter dated June 5, 2009.

Significant Audit Findings

We noted no significant audit findings in performing and completing our audit. However, we suggest the following:

Approval of Journal Entries

During the fiscal year, the Town of Ogunquit routinely makes journal entries as a means of adjusting or correcting account balances. These journal entries should be evidenced by approval of an individual not involved in the record keeping function. Although the Treasurer gets approval for certain journal entries, we recommend that the Town Manager review all journal entries made by the Treasurer to improve internal controls.

Approval of Bank Reconciliations

The bank statement reconciliation serves as a control procedure; it is the final step in the monthly procedure for controlling cash receipts and disbursements. Individuals independent of those performing bookkeeping and accounting tasks should prepare reconciliations.

Significant Audit Findings

Approval of Bank Reconciliations (Continued)

Although the bank reconciliations were accurate and prepared timely, there was no documented evidence of their review by an individual independent of the accounting function. We recommend the Town Manager review, initial and date the completed reconciliations by the 15th of the following month.

Formal Policy Review

Several policies should be written, adopted and implemented for the Town. The process of planning and formulating effective policies is vital to any organization. Only through a management consensus and careful consideration of policy planning and implementation can an organization ensure effective overall operation in both the present and the future. Frequent revisions to these policies are necessary to meet future needs of the Town. We believe the adoption of these written policies constitutes an improvement to the internal control system by formally improving, crystallizing and documenting the present procedures.

Thus, periodic changes in officials and employees should not affect the continuity or accuracy of the financial records as long as these policies are adhered to. We recommend written policies in the following areas:

- Fraud Policy
- Financial Reporting
- Reconciliations and Reviews
- Conflict of Interest/Related Party Transactions
- Record Retention

We would be pleased to provide you with assistance of implementing these policies if you desire.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advise management about the appropriateness accounting policies and their application. The significant accounting policies used by the Town of Ogunquit are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during six-month period ending June 30, 2009. We noted no transactions entered into by the governmental unit during the year for which there is lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Qualitative Aspects of Accounting Practices (Continued)

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about the past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Useful Lives

Management's estimates of the useful lives of depreciable assets are based according to the Town's Fixed Asset Policy. We evaluated the key factors and assumptions used to develop the useful lives schedule contained in the Fixed Asset Policies in determining that it is reasonable in relation to the financial statements taken as a whole.

Deferred Revenue and the Sixty Day Rule

In the fund financial statements, property taxes are recognized in compliance with NCGA Interpretation – 3, *Revenue Recognition – Property Taxes* which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due and receivable within the current period and collected no longer than 60 days after the close of the current period. In the government-wide financial statements, property taxes are recognized under the accrual method.

Because the audit fieldwork was conducted before 60 days had expired after the close of the current period, management estimates deferred property tax revenue at year end. The Town bases the estimate on the prior year's data by using the percentage of collections for the first sixty days of the fiscal period over the prior year's receivable balance. Upon evaluation of the basis of the estimation, it appears reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statements disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosure affecting the financial statements was:

Property Taxes

The disclosure of Property Taxes in Note 3 to the financial statements describes the assessed value, the tax rate, the year end taxes receivable and overall collection rate for the Town. The collection rate is a guideline for cash flow and budgeting purposes in the next calendar year. Upon evaluation the amounts disclosed in Note 3 are reasonable and consistent in relation to prior years.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Town's financial reporting process (that is, cause future financial statements to be materially misstated). Audit adjustments made during the audit were sent to the Treasurer under separate cover. Management did not identify and we did not find any uncorrected financial statement misstatements.

Management Representation

We have requested certain representations from the management that are included in the management representation letter dated July 22, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to the retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This communication is intended solely for the information and use of the Board of Selectmen, Manager and others within the Town, and is not intended to be and should not be used by anyone other than these specified parties.



SMITH & ASSOCIATES, CPAs
A Professional Association

Yarmouth, Maine
July 22, 2009